GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:283
ANSWERED ON:01.03.2002
PRIVATE PLACEMENT DEAL
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

to reply given to Unstarred Question No. 3867, dated August 17, 2001, regarding Private Placement Deals and state :

(a) whether the said information has since been collected;

(b) if so, the details thereof; and

(c) if not, the reasons therefof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): Yes, Sir. TIle required information has been sent on 26th Febrwuy, 2002 to the Ministry of Parliamentary Affairs. The news item in the Indian Express dated 26-07-2001 refers to a report from Center for Nlonitoring, Indian Economy (C:tvllE) regarding erosion in the value of investment made by [mandal institutions, mutual funds, foreign investors and overseas corporate bodies in certain companies which have mobilized capital tlu`ough private placement between April and December, 2000.

The Unit Trust of India (IJTI) has intimated that they have invested in one company, viz., HFCL an amount of Rs. 10.5 crorc at the rate of Rs. 1050 per sharc. `n\C price of the shares of the company was Rs. 156.40 as on 30th April, 2001. While UTI has no exposure in Tips Industries, investments in tvlukta Arts was done through secondary market transaction.

LIC has intimated that it has not subscribed to any of the private placements of shares cited in the report referred to in the Question. However, it had subscribed to an earlier private placement of equity through book building by HFCL on 2nd March, 2000 @ Rs. 10501- per share aggregating to Rs. 5.25 crore. The entire holding was sold by the Corporation in the Secondary !vlarket at a profit of Rs. 1. 50 crore.

The Reserve Bank of India has advised banks to fonnulate investment policy with the approvalof their Board of Directors which should adequately address specific risk management aspects while processing investment proposals. Banks were also advised vide RBI circular dated June 07, 2001 (Copy available on RBI Website - rbi.org.in) that they should put in place appropriatesystems to ensure that investments in privately placed unrated instrument is made in accordance with systems and procedures prescribed Wider such investment policy approved by the Board. Does not arise.